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Congress of the United States
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Washington, DC 20515-4324

COMMITTEE ON
WAYS AND MEANS

COMMITTEE ON ETHICS

March 30, 2016

The Honorable Tom Wheeler
Chairman
Federal Communications Commission
445 12th St SW
Washington, DC 20554

Dear Chairman Wheeler:

I am writing to you regarding your March 8 announcement of plans to expand the Lifeline telephone subsidy to high-speed Internet access. Given the problems with fraud and cost increases involved in an earlier expansion to cell phone service, this new step risks wasting American consumers' money, and also remains legally tenuous.

I wrote to your predecessor, then-Chairman Julius Genachowski, in the fall of 2011 upon the FCC's announcing plans to shift Universal Service Fund (USF) resources into broadband Internet, resulting in what is now the Connect America Fund. My main concern at the time was that the FCC lacked statutory authority to cover Internet, then defined as an "information service," under the USF, which is limited by law to "telecommunications services." The definition change that FCC's move required lacked any justifying change in circumstance, rendering the action suspect under long-standing principles of administrative law.

Since then, the Connect America Fund has ballooned to over \$1.8 billion per year to bring high-speed Internet to underserved areas. Why is that not enough for the Commission? This new proposal to now add Internet to USF's Lifeline program will, in addition to still lacking clear authority, raise its costs from \$1.5 to \$2.25 billion per year. How can the current fee structure that funds the USF on the backs of American consumers be maintained under this weight? Prior efforts to stop fraud in Lifeline uncovered the fact that 30 percent of its resources were misused. This serves to show that the program is not fit for the proposed expansion. I strongly urge the FCC to reconsider the costs to the people whom it serves and to maintain the USF within its originally intended range of services.

Thank you for your review of this correspondence and I look forward to your reply. Should you have any questions regarding this letter, please feel free to contact me, or my Legislative Assistant, Robert Vega, at 202.225.6605 or robert.vega@mail.house.gov.

Sincerely,



Kenny Marchant
Member of Congress



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

June 23, 2016

The Honorable Kenny Marchant
U.S. House of Representatives
2313 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Marchant:

Thank you for sharing your concerns about the Commission's efforts to modernize the universal service Lifeline program. Your views are very important and will be included in the record of the proceeding.

Lifeline was established by the FCC in 1985 to help low-income Americans afford access to vital communications, which, in those days, was a telephone call. Over a span of three decades, the program has helped tens of millions of Americans afford basic phone service. At a time when our economy and lives are increasingly moving online, it doesn't make sense for Lifeline to focus only on 20th century narrowband voice service.

The FCC has a Congressional mandate to ensure "consumers in all regions of the country, including low-income consumers . . . should have access to . . . advanced telecommunications services." With affordability still the largest single barrier to broadband adoption in low-income households, modernizing Lifeline is a key part of upholding our statutory obligations.

Consistent with the aforementioned congressional mandate, the Lifeline Modernization Order takes the next major step in fostering the Commission's commitment to universal service by modernizing the program to support broadband and refocusing it to meet the 21st century's communications challenges. By dramatically improving Lifeline's management and design, and putting the program on sound fiscal footing moving forward, we will help low-income Americans all across our nation connect to the Internet and the opportunities of the broadband revolution. At the same time, the Order puts in place a number of key programmatic reforms designed to protect the integrity of the Lifeline program and build on the Commission's recent efforts to root out waste, fraud, and abuse in the program.

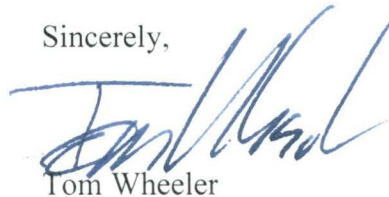
For the first time, qualifying low-income consumers will be allowed to apply Lifeline support to broadband services. Specifically, qualifying consumers may apply the \$9.25 per month support to stand-alone mobile or fixed broadband service as well as bundled voice and data service packages. We also ensure that low-income consumers are not relegated to second class service and have choices that allow them to get the most value for the subsidy. The Order sets minimum service standards to ensure supported services meet modern needs. These benchmarks will be transitioned in over time to avoid undue disruption for existing Lifeline providers and consumers.

The Order builds on earlier reforms that cracked down on waste, fraud, and abuse and weeded out over a billion dollars in payments to ineligible recipients. Most importantly, it establishes a National Eligibility Verifier as neutral third-party entity that removes the opportunity for providers to intentionally enroll ineligible subscribers. The Order also refines the list of federal programs that may be used to validate Lifeline eligibility to those that support electronic validation, are most accountable, and best identify people needing support. The item also increases transparency by making program data publicly available and understandable, including subscriber counts by provider.

In addition, to address concerns about on the cost of the program, the Commission established a budget mechanism to minimize any impact on ratepayers. Specifically, the Order sets a budget of \$2.25 billion, indexed to inflation, to allow for increased participation generated by support for broadband service. It is important to note that we are not increasing the basic monthly subsidy amount of \$9.25 or the number of people eligible for Lifeline; rather, we are focused on expanding available choices for Lifeline subscribers and the value delivered. Moreover, if spending reaches 90% of the \$2.25 billion, the Wireline Competition Bureau must report to the Commission about the trends and factors leading to this spending increase, and the Commission would take action as appropriate. By making the program more efficient, these reforms will make Lifeline more effective at making broadband more affordable for low-income consumers.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tom Wheeler", is written over the printed name.

Tom Wheeler